

Message Text

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15

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 OMB-01 TRSE-00 PA-02

USIA-15 PRS-01 SP-02 /053 W
----- 043575

R 012051Z AUG 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7148

UNCLAS OTTAWA 2886

POUCHED TO ALL CONSULATES IN CANADA AS INFO

E.O. 11652: N/A

TAGS: EAIR, CA

SUBJ: CIVAIR: 1975 AIR CANADA DEFICIT FORECAST

REF: OTTAWA 0062

1. A \$25 MILLION DEFICIT FOR AIR CANADA IN 1975 IS FORECAST IN FRONT-PAGE AUGUST 1 MONTREAL GAZETTE ARTICLE BY USUALLY KNOWLEDGEABLE AVIATION WRITER GUY DEMORINE. TRAFFIC GROWTH HAS BEEN PREDICTED FOR EIGHT PERCENT OVER 1974 BUT NOW APPEARS LIKELY TO DROP BY TWO PERCENT ON ANNUAL BASIS. SUMMER TRAFFIC REPORTEDLY DOWN 15 PERCENT OVER 1974. COMBINED WITH HIGHER FUEL PRICES AND GENERAL OPERATING COSTS THIS TRAFFIC SITUATION APPEARS LIKELY TO PRODUCE MAJOR DEFICIT THREATENING ACCUMULATED SURPLUS OF RECENT YEARS. ARTICLE FORECATS ANNOUNCEMENT LATER IN MONTH MAJOR SERIES OF PROMOTIONAL FARES--PRESUMABLY ON DOMESTIC ROUTES--INVOLVING 20-30 PERCENT REDUCTIONS.

2. COMMENT: AIR CANADA'S 1974 DEFICIT WAS OVER \$9 MILLION. CARRIER HAD ASSUMED CONSIDERABLE INELASTICITY OF DEMAND IN ITS MARKETING STRATEGY THIS YEAR AND SECURED RECENT SIGNIFICANT FARE INCREASE ON TOP OF THAT OBTAINED IN 1974 (SEE OTTAWA 1460 UNCLASSIFIED

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AND 1785). NOW WITH DEFICIT MOUNTING IT APPEARS TO BE

RECONSIDERING THIS STRATEGY IN FAVOR OF PROMOTIONAL
FARE APPROACH PRESENTLY CHARACTERISTIC OF MANY US
CARRIERS. IN ADDITION, IT MAY TRIM WINTER SCHEDULE
(EFFECTIVE LATE OCTOBER) AS IT DID LAST YEAR IN WAKE
OF ENERGY CRISIS. PORTER

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NNN

Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, BUSINESS LOSSES, AIRLINES
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Copy: SINGLE
Draft Date: 01 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Margaret P. Grafeld
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